



# CIPA

California Independent Petroleum Association

RECEIVED

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December 15, 2006

Barry Wallerstein  
Executive Director  
South Coast AQMD  
21865 E. Copley Drive  
Diamond Bar, CA 91765

EXECUTIVE OFFICE

From: Office of the Executive Officer	Date: 12-26-06
To: Chang	
Cy: BRW	
For your action by:	For your info. handling
For:	signature, cc:

Re: **2007 AQMP – Measure CMB-04, Natural Gas Fuel Specifications (NOx), as well as Measures FUG-02 (Improved LDAR) and MCS-01 (Facility Modernization)**

Dear Dr. Wallerstein:

The California Independent Petroleum Association is a non-profit, non-partisan trade association representing over 400 independent oil and gas producers, service and supply companies, and royalty owners, many of which operate in the South Coast Basin. We appreciate the opportunity to participate on the 2007 AQMP Advisory Group.

CIPA is writing to express its views on proposed Control Measure CMB-04 proposed in the Draft 2007 AQMP issued in October 2007, as well as proposed Measures FUG-02 and MCS-01.

When crude oil is produced, associated gas is a necessary and inevitable byproduct of that oil production. A number of oil and gas producers in the South Coast Basin dispose of their associated gas by burning it in field equipment, such as internal combustion engines or heater treaters. Other producers divert the associated gas to turbines or engines powering electrical generators, which power field operations and/or provided electricity to the grid. In all these cases, because Rule 1148.1 prohibits venting associated gas to atmosphere, these productive uses of associated gas are the only ways to avoid the use of flares for gas disposal. These alternative, productive uses of the associated gas, avoiding flaring, provide substantial environmental and energy conservation benefits.

In light of the environmental and energy conservation benefits of putting associated gas to productive use, CIPA asks the District to exempt the use of associated gas at the production field from any specifications that may be developed under CMB-04. The environmental and energy conservation benefits of using associated gas at production facilities to power field equipment and to generate electricity will more than outweigh any potential environmental harm from occasional burning of hot gas. Regulating hot gas in this limited context would present a substantial disincentive to productive use of gas, and its resultant environmental and energy conservation benefits.

Further, CIPA asks that the District very seriously consider any regulation of gas composition that could restrict State supplies of natural gas, as well as limit the ability of small independent producers to market their gas to public utilities and others.

In addition, CIPA will watch closely the development of two other measures: FUG-02, Improved Leak Detection and Repair, and MCS-01, Facility Modernization. While both offer emissions reduction potential, cost and fairness are salient issues. Our understanding is that the cost of infrared equipment for "Smart Leak Detection and Repair," under consideration for FUG-02, currently runs around \$80,000, potentially imposing major burdens on smaller oil and gas producers. Further, the imposition of arbitrary useful lives upon production-related equipment could create unfair burdens. As noted, we will watch closely, and are eager to work with the District to strike the right balance between incentives and regulation in these two areas.

Thank you for considering our views. Please feel free to contact me or Ivan Tether, Chair of our Los Angeles Environmental Committee ((310) 477-0011, or <ivan@tetherlaw.com>), if you have any questions, or if we can provide further information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rock Zierman', with a stylized, flowing script.

Rock Zierman,  
Director of Public Affairs

cc: SCAQMD Board Members  
Elaine Chang, Deputy Executive Officer, SCAQMD, 21865 E. Copley Drive,  
Diamond Bar, CA 91765  
Joe Cassmassi, Planning & Rules Manager, SCAQMD, 21865 E. Copley Drive,  
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CIPA Members, by Email